

BUSINESS REPORT 2008

(from April 1, 2007 to March 31, 2008)



To Our Shareholders

I would like to take this opportunity to extend my best wishes and to thank everyone for the exceptional support given to us. It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for the fiscal year 2007 (April 1, 2007 to March 31, 2008), which marks our 73rd business period.

Continued growth is expected in the semiconductor industry over the medium to long term, due to the increasing advancement of PCs and portable equipment, expanding markets led by developing countries, and growth in new areas of use, such as the increased use of electronic components in automobiles.

On the other hand, however, competition for survival is expected to further intensify on a global basis. Product cycles will accelerate more than ever due to rapidly advancing technological innovation. It will be necessary to establish flexible development and production systems to manufacture at a low cost in order to keep up with constantly changing market needs.

We are acting from the inception point of the manufacturing industry, working to meet customers' expectations for product quality and turnaround times and supplying products at competitive prices. The Company remains firmly focused on manufacturing with the intention of innovation at all stages of manufacturing, from product development and design to production and further to shipment. In this way, we work to enhance competitive strengths and secure the Company's earning power.

■ Business Results for the Fiscal Year Ended March 31, 2008

Growing uncertainty in the second half Prices falling due to increased competition

The economic climate in this period was dominated by confusion in global financial markets resulting from the U.S. subprime lending crisis, skyrocketing prices for crude oil and raw materials, and rapid fluctuation in the currency markets, all of which significantly increased uncertainty in the second half of the year.

Although there has been continued growth in global demand for mobile phones and digital home electronics applications such as flat-screen TVs, and demand for laptops has contributed to continued favorable conditions in the PC market, increased competition is continuing to drive prices down, tightening market conditions generally in the semiconductor industry.

Development and commercial production of new products Severe impact of sudden exchange rate fluctuations

Despite this harsh business climate, the Shinko Group achieved consolidated net sales of 215,007 million yen (a year-on-year increase of 4.4%) by improving its system for the development and commercial production of new products suited to the needs of the market and by proactively generating new orders. While production reforms in all departments contributed to improved productivity, falling product prices and increased amortization costs, along with the severe impact in the fourth quarter of the dollar's sudden depreciation against the yen, resulted in consolidated recurring income of 21,050 million yen (a year-on-year decrease of 39.7%)

and net income of 11,336 million yen (down 41.0% year on year).

In terms of non-consolidated financial results, net sales were 209,582 million yen (up 4.7% year on year), recurring income was 20,357 million yen (down 39.4% year on year), and net income was 11,933 million yen (down 35.9% year on year). The Company paid a year-end dividend of 18 yen and an interim dividend of 9 yen, for a total dividend of 27 yen per share for the period under review.

■ Outlook

Continued growth in digital home electronics applications, mobile phones, and PCs, but further downward pressure on product prices

Going forward, company profits in Japan are expected to deteriorate, given the fall in exports caused by the economic slowdown in the U.S., the continuing rise in the prices of crude oil and raw materials, and the establishment of a strong yen relative to the dollar. These conditions are expected to have the effects of reducing capital investment and personal consumption, contributing to fears of a general economic slowdown. In the U.S. economy, as the adverse effects of the subprime lending crisis extend to the real economy, it is expected that personal consumption and capital investment will continue to stagnate, giving rise to continued difficult economic conditions, even recession.

Although continued growth is expected in the semiconductor industry, driven by mobile phones, PCs, and digital home electronics applications such as flat-screen TVs, intensifying competition and the growing weight of emerging markets are expected to continue to

bring prices down. Falling prices, combined with rising costs of raw materials, are likely to ensure the continuation of difficult market conditions for the industry.

Further on-site production reforms, continued establishment of solid company structure to respond immediately to changes in market conditions

Facing these difficult economic conditions, the Group is working to strengthen its development and commercial production systems to allow a flexible response to changing market needs. As a leader in semiconductor packages, the Company is accelerating the development of cutting-edge products while at the same time developing inexpensive products with selected functions for the emerging markets. To achieve “Progress without Limits”, even in the fiercely competitive semiconductor market, the Company is intensifying its production reforms, constructing the ultimate manufacturing environment for the creation of high quality products and establishing a solid company structure that will be able to respond instantly to changes in market conditions.

I would like to request the continued support of our esteemed shareholders.



Mamoru Kuroiwa
President

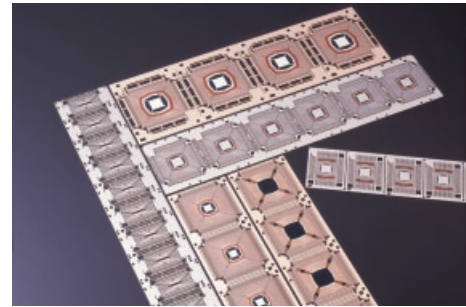
A handwritten signature in black ink that reads "M. Kuroiwa". The signature is written in a cursive, flowing style.

June 2008

Summary of Operations by Product Category

IC Lead Frames

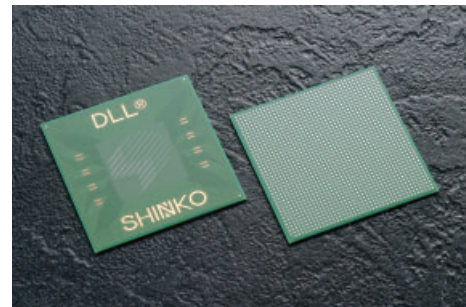
This segment has worked to boost orders for LOC (Lead on Chip)-type lead frames for DRAMs and for stamping lead frames, mainly used in digital home electronics applications. The demand for etching lead frames for products such as mobile phones remains solid. Sales for each of these products increased, resulting in consolidated sales for this segment of 28,416 million yen (up 12.2% year on year).



Lead frames using ultra high precision dies, stamping technology, and etching technology support a variety of IC functions

IC Packages

Sales of BOC (Board on Chip)-type BGA (Ball Grid Array) substrates for DRAMs decreased, impacted significantly by falling product prices. Sales of flip-chip type packages for PCs and game consoles remained the same as last year, affected by inventory adjustments for some products at the beginning of the year. However, the assembly business continued to grow, especially camera module assemblies for mobile phones. In addition, sales of heat spreaders for MPUs increased. As a result, consolidated sales in this segment were 165,723 million yen (up 5.0% year on year).



Continuing advances in flip-chip type packages, responding to market needs for higher speed, higher density and thinner packages

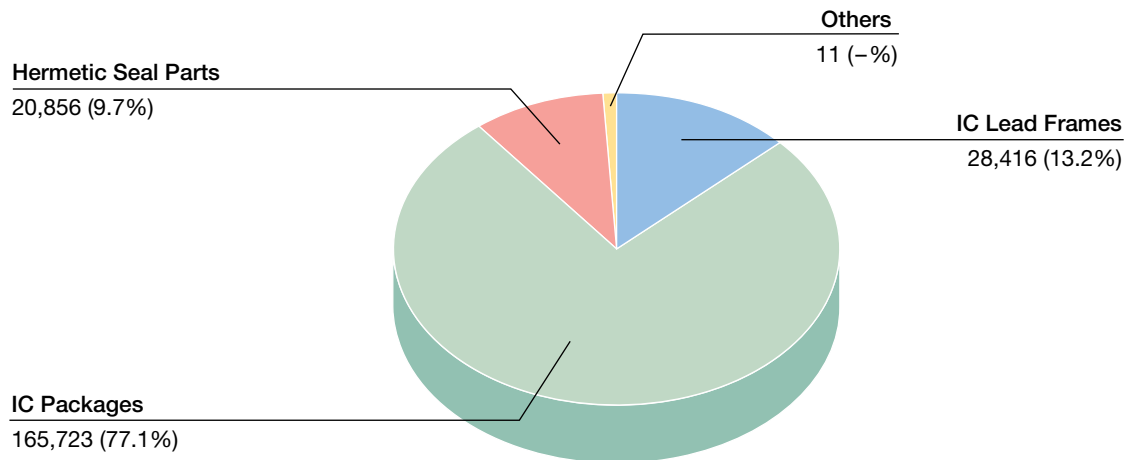
Hermetic Seal Parts

Orders for precision contact parts for mobile phones increased steadily. Demand for ceramic electrostatic chucks used in manufacturing equipment for semiconductors and LCD panels, and glass-to-metal seals for optical devices have remained solid. However, there was a reduction in sales of LIDs, which went out of production at the end of the previous year. As a result, consolidated sales in this segment fell slightly to 20,856 million yen (down 7.9% year on year).



Highly reliable glass-to-metal seals used in next-generation DVD systems and onboard sensors for vehicles

Sales by product category (Millions of yen)

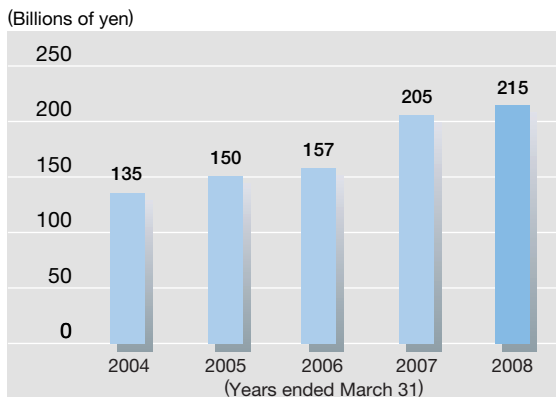


*Figures in () represent % to total sales.

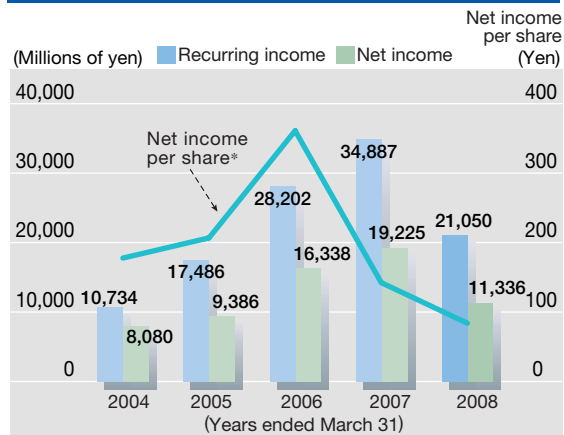
Financial Highlights

Consolidated

Net sales

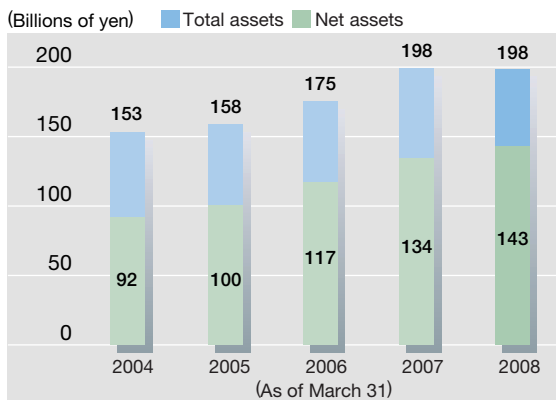


Recurring income / Net income

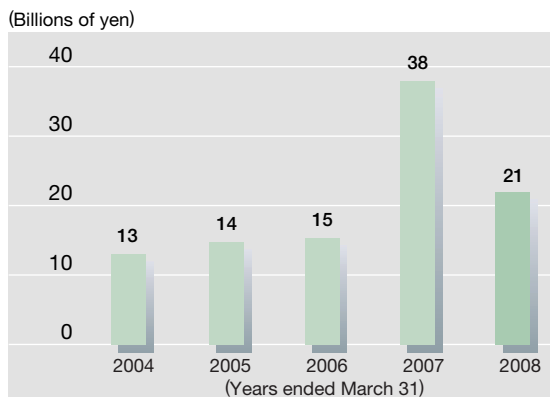


*Three-for-one stock split as of April 1, 2006.

Total assets / Net assets

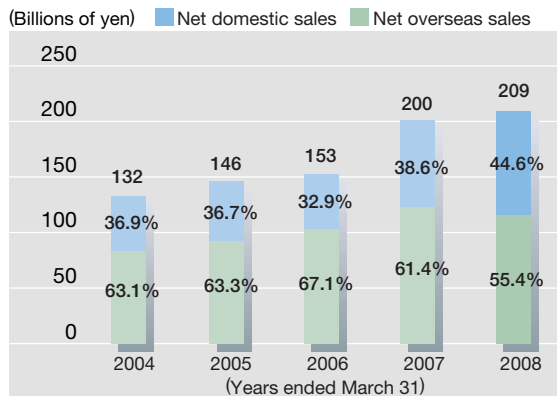


Capital expenditure

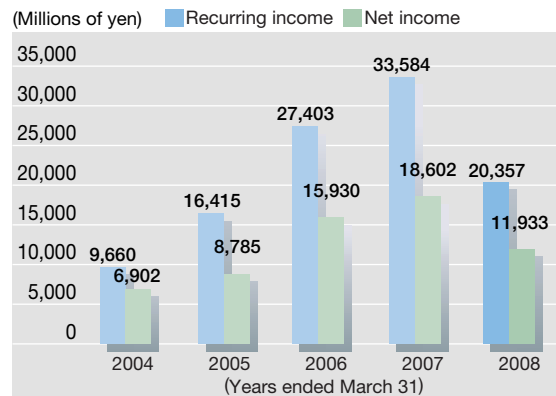


Non-consolidated

Net sales



Recurring income / Net income



Business performance and assets

Years ended March 31	2004	2005	2006	2007	2008
Consolidated					
Net sales (Millions of yen)	135,882	150,584	157,806	205,859	215,007
Recurring income (Millions of yen)	10,734	17,486	28,202	34,887	21,050
Net income (Millions of yen)	8,080	9,386	16,338	19,225	11,336
Net income per share (Yen)	177.70	206.80	361.13	142.32*	83.92
Total assets (Millions of yen)	153,056	158,499	175,541	198,862	198,475
Net assets (Millions of yen)	92,254	100,737	117,288	134,193	143,193
Net assets per share (Yen)	2,054.25	2,243.26	2,603.29	1,000.33*	1,059.98
Capital expenditure (Millions of yen)	13,085	14,851	15,398	38,038	21,930
Research & development (Millions of yen)	3,202	3,175	3,477	3,975	4,396

*Three-for-one stock split as of April 1, 2006.

Non-consolidated

Net sales (Millions of yen)	132,543	146,121	153,123	200,100	209,582
Recurring income (Millions of yen)	9,660	16,415	27,403	33,584	20,357
Net income (Millions of yen)	6,902	8,785	15,930	18,602	11,933

Financial Statements (Consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2008	2007	2008
Assets	198,475	198,862	1,980,992
Current assets	121,369	116,832	1,211,391
Cash and time deposits	20,754	20,626	207,151
Receivables, trade: notes and accounts	66,252	68,252	661,263
Marketable securities	1,122		11,198
Inventories	8,414	9,419	83,986
Money deposited	20,940	13,620	209,002
Other current assets	3,902	4,933	38,951
Allowance for doubtful receivables	(16)	(19)	(163)
Fixed assets	77,106	82,029	769,601
Property, plant and equipment	71,530	75,042	713,950
Intangible assets	1,547	1,736	15,449
Investments and other assets	4,027	5,250	40,201
Total assets	198,475	198,862	1,980,992
Liabilities	55,282	64,668	551,774
Current liabilities	50,958	59,340	508,616
Payables, trade	33,281	30,576	332,186
Short-term borrowings, including current portion of long-term debt	1,000	1,500	9,981
Other current liabilities	16,676	27,263	166,448
Long-term liabilities	4,323	5,328	43,157
Net assets	143,193	134,193	1,429,218
Shareholders' equity	144,716	136,217	1,444,425
Common stock	24,223	24,223	241,770
Capital surplus	24,129	24,129	240,838
Retained earnings	96,455	87,955	962,729
Treasury stock	(91)	(90)	(913)
Valuation and translation adjustments	(1,523)	(1,081)	(15,206)
Unrealized gains on securities	150	446	1,498
Deferred profits (losses) on hedges	0	5	0
Foreign currency translation adjustments	(1,673)	(1,532)	(16,705)
Minority interests in consolidated subsidiaries	0	(942)	0
Total liabilities and net assets	198,475	198,862	1,980,992

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥100.19 = U.S. \$1.00 on March 31, 2008.

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2008	2007	2008
Net sales	215,007	205,859	2,145,995
Cost of goods sold	175,135	155,708	1,748,035
Gross profit	39,871	50,150	397,960
Selling, general and administrative expenses	14,744	14,824	147,168
Operating income	25,126	35,326	250,791
Non-operating income	1,996	1,483	19,928
Non-operating expenses	6,073	1,922	60,615
Recurring income	21,050	34,887	210,104
Extraordinary income	932		9,303
Extraordinary expenses	1,664	2,226	16,615
Income before income taxes and minority interests	20,317	32,660	202,792
Income taxes - current	6,202	13,006	61,905
Income taxes - deferred	1,846	341	18,430
Minority interests in income of consolidated subsidiaries	932	87	9,303
Net income	11,336	19,225	113,153

Statements of Cash Flows

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2008	2007	2008
Cash flows from operating activities	37,644	25,909	375,727
Cash flows from investing activities	(24,259)	(37,400)	(242,130)
Cash flows from financing activities	(3,622)	(5,607)	(36,151)
Effect of exchange rate changes on cash and cash equivalents	(868)	217	(8,671)
Net increase (decrease) in cash and cash equivalents	8,894	(16,881)	88,773
Cash and cash equivalents at beginning of year	32,990	49,872	329,282
Cash and cash equivalents at end of year	41,885	32,990	418,056

■ Statements of Changes in Net Assets

Year ended March 31, 2008

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31, 2007	24,223	24,129	87,955	(90)	136,217
Changes in the term:					
Dividends from surplus			(2,836)		(2,836)
Net income			11,336		11,336
Purchase of treasury stock				—	—
Net changes of items other than shareholders' equity					
Total changes in the term	0	0	8,499	—	8,499
Balance of March 31, 2008	24,223	24,129	96,455	(91)	144,716

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on securities	Deferred profits (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance of March 31, 2007	446	5	(1,532)	(1,081)	(942)	134,193
Changes in the term:						
Dividends from surplus						(2,836)
Net income						11,336
Purchase of treasury stock						—
Net changes of items other than shareholders' equity	(296)	(5)	(140)	(442)	942	500
Total changes in the term	(296)	(5)	(140)	(442)	942	9,000
Balance of March 31, 2008	150	0	(1,673)	(1,523)	0	143,193

Financial Statements (Non-consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2008	2007	2008
Assets	196,303	195,398	1,959,311
Current assets	114,582	109,375	1,143,652
Fixed assets	81,720	86,023	815,659
Property, plant and equipment	69,307	72,324	691,757
Intangible assets	1,544	1,731	15,415
Investments and other assets	10,869	11,967	108,485
Total assets	196,303	195,398	1,959,311
Liabilities	54,629	62,518	545,255
Current liabilities	50,377	58,209	502,819
Long-term liabilities	4,251	4,308	42,436
Net assets	141,674	132,880	1,414,056
Shareholders' equity	141,524	132,428	1,412,557
Common stock	24,223	24,223	241,770
Capital surplus	24,129	24,129	240,838
Retained earnings	93,263	84,166	930,861
Treasury stock	(91)	(90)	(913)
Valuation and translation adjustments	150	451	1,498
Total liabilities and net assets	196,303	195,398	1,959,311

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2008	2007	2008
Net sales	209,582	200,100	2,091,848
Cost of goods sold	170,376	150,773	1,700,538
Gross profit	39,205	49,327	391,310
Selling, general and administrative expenses	15,157	15,376	151,291
Operating income	24,047	33,950	240,018
Non-operating income	2,330	1,661	23,265
Non-operating expenses	6,020	2,026	60,091
Recurring income	20,357	33,584	203,193
Extraordinary expenses	742	2,217	7,415
Income before income taxes	19,614	31,367	195,777
Income taxes - current	5,813	12,455	58,020
Income taxes - deferred	1,868	308	18,652
Net income	11,933	18,602	119,105

Development of the Ceramic Electrostatic Chuck business



Ceramic electrostatic chuck unit

Electrostatic chucks are widely used in semiconductor manufacturing equipment to hold silicon wafers as they are processed.

Our Company's electrostatic chucks employ ceramic substrates and offer the advantages of being able to clamp a wafer evenly, of reducing the debris generated in the manufacturing process, and of being more durable. In addition, an integrated system of production, from the ceramic baking through to processing, assembly, and inspection, allows the Company to achieve high quality, low prices, and quick delivery times.

Moreover, technological improvements to allow the electrostatic chucks to clamp other materials besides wafers have broadened the range of applications to include LCD panel manufacturing equipment. Continued increase in demand is expected.

Green oasis - Kurita Sogo Center

On the site of its former Kurita Plant, the Company has opened the Kurita Sogo Center, which it has cultivated as a green oasis for the local urban area.

The saplings and grass planted when the Center was opened in 2004 have become luxuriant greenery, and spot-billed ducks have come to lay eggs on the banks of the Center's little streams and ponds. In the early summer, the Center comes alive with fireflies, and throughout the year it offers an ever-changing seasonal display.

The Company has opened this Center to the public as a place for recreation and relaxation.



Corporate Data

(as of March 31, 2008)

■ Corporate Name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
■ Established	September 12, 1946
■ Head Office	80, Oshimada-machi, Nagano-shi, Japan Tel: 81 (26) 283-1000
■ Major Business Lines	Manufacturing and sales of lead frames, plastic laminated packages (PLPs), glass-to-metal seals, arrester and precision contact parts IC assembly
■ Number of Employees	4,068 (Consolidated: 4,941)
■ Plants & Facilities	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D Center Kurita Sogo Center
■ Sales Office Network	Tokyo, Osaka, Sendai, Nagano, Nagoya, Oita, Fukuoka, Frankfurt, Shanghai, Chengdu, Manila
■ Subsidiaries	SHINKO PARTS CO., LTD. SHINKO TECHNOSERVE CO., LTD. SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. KOREA SHINKO MICROELECTRONICS CO., LTD. SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. SHINKO ELECTRIC AMERICA, INC. KOREA SHINKO TRADING CO., LTD. TAIWAN SHINKO ELECTRONICS CO., LTD. SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.
■ Affiliated Company	SHINKO MICROELECTRONICS (THAILAND) CO., LTD.

Cover: Takaoka Plant in Nakano-shi, Nagano

Shareholders' Data

(as of March 31, 2008)

■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	12,063
■ Principal shareholders	

Name	Number of shares held (Thousands)	Ownership ratio (%)
Fujitsu Limited	67,587	50.00
Japan Trustee Services Bank, Ltd. (Trust Accounts)	7,478	5.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,265	5.38
Designated Separately Managed Account, Trustee: Chuo Mitsui Asset Trust and Banking Company, Limited (Trust Account 1)	2,213	1.64
Trust & Custody Services Bank, Ltd. (Trust Account Y)	2,032	1.50
The Hachijuni Bank, Ltd.	1,836	1.36
National Mutual Insurance Federation of Agricultural Cooperatives	1,336	0.99
Asahi Mutual Life Insurance Company	1,239	0.92
CGML-IPB Tokyo Client Securities Account	1,102	0.82
Union Bancaire Privée (Luxembourg) SA 497200	1,100	0.81

Board of Directors and Auditors

(as of June 27, 2008)

President	Mamoru Kuroiwa
Directors and Executive Managing Corporate Officers	Fumio Kuraishi Akira Fujimoto
Directors and Managing Corporate Officers	Fumio Yanagihara Akihiko Murata
Standing Auditor	Masaji Yokoyama
Auditors	Junichi Murashima Koichi Ishizaka

Corporate Officers

(as of June 27, 2008)

Managing Corporate Officers	Yoshihiko Ogawa Kunihiko Imai	Corporate Officers	Takahiro Kiyono Hiroshi Hasebe
Senior Corporate Officers	Kazuharu Iguchi Seizo Mitsui Yoshihiro Asano Toshihiko Ogiwara		Takato Kikuchi Haruo Aizu Mitsuharu Shimizu Haruo Sorimachi Toshihisa Yoda Tadashi Kodaira Masashi Obinata

Shareholder Information

■ Location of stock administration agent and points of contact

Handling office of administrator of shareholders' register	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
(Mailing address)	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 10-11, Higashisuna 7-chome, Koto-ku, Tokyo, 137-8081 TEL (Toll free number): 0120-232-711 (Japanese only)
Other points of contact	All branches of Mitsubishi UFJ Trust and Banking Corporation throughout Japan (For requesting an application form for changes to registered address, designation or changes of dividend payment account, purchase request and additional purchase request for fractional stocks, and inheritance procedure of stocks, please contact the administrator of shareholders' register who is available 24 hours a day by telephone number and Internet address below. TEL (Toll free number): 0120-244-479 (Japanese only) Internet: http://www.tr.mufg.jp/daikou/)
■ Business year	From April 1 each year to March 31 of the following year
■ Record date	
Record date for the annual shareholders' meeting	March 31 each year
Record date for dividends	March 31 each year and September 30 if interim dividend shall be paid
■ Method of public notice	Electronic public notice Electronic public notice shall be presented on our company website: http://www.shinko.co.jp/ir/kk/ However, in case an accident or any other unavoidable circumstance that precludes electronic notification arises, notices shall be posted in the <i>Nihon Keizai Shimbun</i> .



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.
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